

July 3, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

State Budget Update

Since our last Update on June 28, 2002, there has been considerable progress in resolving the State budget problem, but the proposed budget has not yet passed both houses, and there is always concern that the Governor may undo the Legislature's budget restorations with his blue pencil.

After the Senate was unable to pass its income tax-financed budget restoration bill last Thursday, the Conference Committee met briefly on Friday, adopted some restorations from the Senate bill (AB 428), made some additional cuts and on a partisan vote approved an increase in the vehicle license fee (VLF) similar to the Governor's May Revision proposal. However, the Conference Committee adjourned without formally adopting a report.

On Saturday, the Senate took up AB 425 (Oropeza), which reflects much of the spending decisions that were made in the Conference Committee. This bill, along with a revenue measure, AB 433, are the essential elements of the proposed budget solution, which the Senate hoped to pass and send to the Assembly for concurrence. With one lone Republican vote, Senator Johannessen, the Senate approved both bills, as well as some 22 budget trailer bills, and adjourned until August 5, 2002.

The Assembly met on Sunday and took up AB 425 but fell short of the two-thirds majority required to pass by 5 votes. Republicans either voted no or abstained and one Democrat was absent. A similar attempt on Monday met with the same result. When the Assembly met again on Wednesday, it again lacked the necessary votes and adjourned until Monday, July 8, 2002. Assuming that the missing Democratic vote, Gil Cedillo, will be available when needed, the hunt for four Republican votes will continue through the weekend.

The Budget Package

Compared to the Governor's May Revision, the proposed budget package (AB 425 and AB 433) spends \$430 million more, raises \$185 million more in revenue, and adds \$435 million to the budget reserve to bring it to \$951 million. The difference is largely made up by larger loans and transfers from special funds and a deferral of \$475 million in Proposition 98 spending until FY 2003-04. The revenue increases included in the bill are essentially the same as those proposed by the Governor in May, as well as a one-year suspension of the teacher tax credit, which had been suggested subsequently by the Administration to the Budget Conference Committee. Of interest to counties is that the VLF rate would increase in calendar year 2003 from .65 percent to 1.5 percent, retaining a 25 percent reduction that would continue to be backfilled by the State.

Attachment I is a summary of the budget package prepared by the Legislative Analyst's Office (LAO). The table on page 14 of the LAO report summarizes the loss of funds by local governments under the Governor's proposal and the budget package. Under the Governor's budget, the loss is \$887 million. Under AB 425, the loss would be \$325 million, a difference of \$562 million. Items restored or rejected with a budget impact on the County include:

- restoration of the 20 percent reduction in County Administration for Food Stamps, Foster Care, In-Home Supportive Services and Medi-Cal, and partial restoration of the 14.8 percent reduction in CalWORKs;
- restoration of Child Welfare Services reductions;
- restoration of Adoptions reductions;
- elimination of a county share of Federal child support automation penalties;
- continued funding for the trauma care system;
- rejection of the May Revision increase in the Disproportionate Share Hospital fee;
- largely restored funding for adult and children's systems of care and homeless mentally ill;
- rejection of the cost shift to counties for 10 percent of the growth in EPSDT;
- rejection of the sliding fee adjustment for commitments to Youth Authority camps;

- partial restoration of Office of Criminal Justice Planning Grants;
- restoration of Juvenile Justice Grants;
- rejection of the cost shift to counties for fire suppression in State Responsibility Areas;
- restoration of Williamson Act funding; and
- restoration of booking fee reimbursements to cities and special districts.

Other items of interest to the County include:

- the pass through of the Federal SSI COLA in January 2003 and a State COLA for SSP in June 2003;
- a one-month COLA for CalWORKs grants in June 2003;
- approval of quarterly reporting for Food Stamps recipients;
- rejection of the elimination of some optional Medi-Cal benefits for adults;
- rejection of Medi-Cal quarterly status reporting;
- rejection of proposal to rescind Section 1931(b) Medi-Cal expansion for poor families;
- rejection of copayments for Medi-Cal services;
- restored May Revision Medi-Cal provider rate reductions;
- implemented express lane Medi-Cal eligibility for children in school lunch programs effective July 2002;
- established transitional Medi-Cal coverage for parents shifting to the Healthy Families Program;
- implementation of the Healthy Families parent expansion in October 2002; and
- elimination of funding for the Turning Point Academy.

Attachment II is an updated version of the table "Estimated Loss to Los Angeles County from State Budget Reductions." It compares impacts of the Governor's budget proposal, actions by the Budget Conference Committee and the provisions of AB 425, awaiting action on the Assembly floor. As can be seen from the totals at the bottom of page 2, if AB 425 were to pass and become law, the approximate loss to the County would be \$131 million compared to \$309 million under the Governor's budget. If you subtract the \$88 million for the Food Stamps Error Rate Penalty, which is really not a State budget item, the relative losses drop to \$221 million and \$43 million, respectively.

Finally, AB 425 establishes a "contingent reserve" consisting of \$611 million in appropriations that cannot be released by the Controller between July 1, 2002 and January 30, 2003, without approval of the Director of Finance. It is intended to provide assurance to purchasers of State Revenue Anticipation Warrants that they will be repaid at maturity. Included in this reserve are \$187 million of Medi-Cal local assistance funding

and \$232.6 million from the Citizens' Option for Public Safety and Juvenile Justice grants. While only intended as a reserve in the event that revenues for the first seven months of the fiscal year are insufficient to repay the warrants, the programs included may also indicate where the Legislature is likely to go if it has to make more cuts to get a budget adopted.

Status of County-interest Legislation

County-supported AB 797 (Shelley), which originally concerned grant funding for education-based foster youth services programs, was recently amended to address a different subject. AB 797 would now add women's health services providers, assistants, and patients to the list of individuals covered under the "Address and E-mail and Telephone Number Confidentiality for Victims of Domestic Violence and Stalking" program. Therefore, **we will drop our support and take no position on AB 797.**

County-supported AB 1058 (Pavley), as previously reported, passed the Senate on May 2, 2002, and has been awaiting Assembly concurrence with the Senate amendments. The bill would require the State Air Resources Board (ARB) to develop and adopt regulations to achieve the maximum feasible reduction in greenhouse gases from personal vehicles and light trucks whose primary use is for noncommercial, personal transportation.

On June 28, 2002, AB 1493 (Keeley), which related to the Bureau of State Audits, was amended in the Senate to delete its existing provisions and replace them with the provisions of AB 1058, with some changes that address concerns raised by its opponents. The new provisions include prohibiting the ARB from mandating trip reductions, restricting land uses, or banning sport utility vehicles. In addition, the new bill prohibits the ARB from using motor vehicle tax surcharges, increased fuel taxes, limits or fees on vehicle miles traveled, vehicle weight reductions, or speed limit reductions, as mandatory means to accomplish reductions in greenhouse gas emissions.

AB 1493 as amended passed the Senate on June 29, 2002, and was sent to the Assembly for concurrence. On July 1, 2002, the Assembly Transportation Committee passed the amended bill and a motion to re-refer it to the Natural Resources Committee failed. The bill was then moved to the Assembly Floor, where it passed. A motion to reconsider was unsuccessful. The Governor, who has not taken a position on the bill, now has 30 days to act on the legislation. The County does not have a position on AB 1493.

County-supported AB 1525 (Liu), which originally dealt with enrollment of children in subsidized child care was recently amended to deal with a different subject. AB 1525 would now make adjustments to FY 2003-04 Proposition 98 funding for K-12 education. Therefore, **we will drop our support and take no position AB 1525.**

County-supported SB 1346 (Kuehl), which would authorize the California Integrated Waste Management Board to expand the State's tire recycling program by providing grants to local agencies to fund the difference in cost between rubberized asphalt concrete or rubberized emulsion aggregate slurry and conventional asphalt in roadway reconstruction projects, passed the Assembly Natural Resources Committee on June 25, 2002 on a 10 to 0 vote and was referred to the Assembly Appropriations Committee with a recommendation that the bill be sent to the Consent Calendar.

County-opposed SB 1481 (Polanco), which would clarify that inmate welfare funds shall not be used to pay required county expenses of confining inmates in a local detention system unless determined by the sheriff to be in the best interests of inmates, passed the Assembly on June 27, 2002, on a 67 to 2 vote and was sent to the Governor where it awaits his action.

County-opposed unless amended SB 1521 (Kuehl), which would require the State Office of Planning and Research to develop and periodically review model planning practices and policies that emphasize land uses that are economically, socially, and environmentally sustainable, passed the Assembly Local Government Committee on June 20, 2002 by a 7 to 1 vote and was referred to the Assembly Appropriations Committee where it awaits a hearing date.

County-opposed unless amended SB 1793 (Burton and Karnette), which would eliminate the Youthful Offender Parole Board and divide its responsibilities between the Juvenile Courts and local probation departments, passed the Assembly Public Safety Committee on June 27, 2002, by a 4 to 2 vote and was referred to the Assembly Appropriations Committee where it awaits a hearing date.

County-supported SB 2057 (O'Connell), which would make a person who knowingly makes a false report to an agency or agency official responsible for conducting search and rescue in the State, guilty of a misdemeanor or a felony if the false report causes great bodily injury, passed the Assembly Public Safety Committee on June 27, 2002, by a 6 to 0 vote and was referred to the Assembly Appropriations Committee where it awaits a hearing.

Each Supervisor
July 3, 2002
Page 6

We will continue to keep you advised of any new developments.

DEJ:GK
IGR:md

Attachments

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist
 Local 660
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants

**ESTIMATED LOSS TO LOS ANGELES COUNTY FROM
STATE BUDGET REDUCTIONS*
(Dollars in Millions)**

	<u>Governor</u>	<u>Conference Committee</u>	<u>AB 425</u>
<u>Health</u>			
DSH Admin. Fee	\$ 23.0	\$ 11.2	11.2
Trauma Care	.47	0	0
<u>Mental Health</u>			
Adult (\$1.7M) and Children's (\$9.4M) System of Care	11.1	0	0
AB 34 Homeless Adults	3.5	0	0
Mental Health Managed Care Rates	1.9	1.9	0
<u>Public Social Services</u>			
Medi-Cal Administration	61.0	0	0
CalWORKs Administration	26.0	19.8	19.8
Food Stamp Administration	35.0	0	0
IHSS Administration	8.1	0	0
Special Circumstances	2.27	2.27	2.27
<u>DCFS</u>			
Child Welfare Services Augmentation	9.6	0	0
Foster Care Administration	6.4	0	0
CWS/CMS Staff Development	1.2	0	0
Adoptions Program Administration	5.1	0	0

	<u>Governor</u>	<u>Conference Committee</u>	<u>AB 425</u>
<u>Public Safety</u>			
Probation: including \$2.3M Challenge Grant	\$ 2.4	\$ 2.4	\$2.3
Probation: CYA Sliding Fee Scale	2.3	0	0
District Attorney: OCJP Grant	.9	.9	0
Public Defender: OCJP Grant	.13	.13	.06
Sheriff: OCJP and other grants	1.32	1.32	.35
Sheriff: High Tech Grant	1.5	3.0	1.5
Fire: cost shift for State Responsibility Areas	1.9	0	0
<u>Penalties</u>			
Food Stamps Error Rate Penalty	88.0	88.0	88.0
Federal Child Support Penalty	10.0	10.0	0
<u>Miscellaneous</u>			
Ag: Red Imported Fire Ant Program	.94	.25	.25
Public Library	2.3	5.0	2.3
DCSS: Adult Protective Services	2.4	0	2.4
CDC: ERAF transfer by redevelopment districts	.08	.08	.08
Arts Commission	.06	0	0
Total	<u>\$309 M</u>	<u>\$146 M</u>	<u>131 M</u>

	<u>Governor</u>	<u>Conference Committee</u>	<u>AB 425</u>
<u>FY 2003-04 Impact</u>			
Mentally Ill Offender Crime Reduction Grant – elimination of 3 rd year (Mental Health: \$1.3M Sheriff: \$265,000; Probation: \$124,000)	\$1.6	\$1.6	\$1.6
Juvenile Justice Crime Prevention	32.7	0	0
<u>Temporary Loans</u>			
Temporary Suspension of State Mandate Reimbursement	87.1	26.7	87.1
CalWORKs Performance Incentives	120.0	123.5	123.5

** Table reflects the estimated loss of State funds from the Governor's January and May Budget proposals, Conference Committee actions, and AB 425 as it passed the Senate. It does not represent the impact on the proposed County budget which would depend upon the level of State funding assumed by each department, as well as any offsetting funding (for example, Federal funding) that they may receive.*